



Scottish Public
Pensions Agency
Buidheann Peinnseanan
Poblach na h-Alba

**Discretion for administering
authorities to determine the
amount of exit credit - Local
Government Pension Scheme
(LGPS)**

**Scottish Government
consultation
2024**

About This Consultation

The purpose of this consultation is to seek your views on changes to The Local Government Pension Scheme (Scotland) Regulations 2018.

These Regulations will amend the Local Government Pension Scheme Regulations 2018 to create a discretion for administering authorities to determine the amount of exit credit which should be payable to an employer leaving the Local Government Pension Scheme.

We are seeking views on the draft regulations to effect this change.

Consultation Process

The Scottish Government welcomes views on the proposals set out in this document to create a discretion for administering authorities to determine the amount of exit credit which should be payable to an employer leaving the Local Government Pension Scheme.

Duration of Consultation

This short technical consultation will last for 3 weeks from 09 May to 30 May 2024.

How to respond

Please use the consultation response form and once completed send to SPPAPolicyConsultationResponses@gov.scot before midnight on the closing date.

Alternatively, responses can be posted to:

The Local Government Pensions Policy Team
SPPA,
7 Tweedside Park
Tweedbank,
Galashiels, TD1 3TE

Further information

If you are unable to access an electronic version of the document, please write to the above address and a paper copy will be provided.

Data Protection Statement

The Scottish Public Pensions Agency (SPPA) is an executive Agency of the Scottish Government and forms part of the legal entity of the Scottish Ministers (Framework Document).

This framework of statutory powers and responsibilities, as agreed with the Scottish Ministers, enables SPPA to undertake the role of data controller for the processing of personal data which is provided as part of your response to the consultation. Any response you send us will be seen in full by SPPA staff dealing with the issues which this consultation is about or planning future consultations.

The process allows informed decisions to be made about how SPPA exercises its public function.

Where SPPA undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. research organisation or a consultancy company).

Any such work will only be undertaken under contract. SPPA use Scottish Government standard terms and conditions for such contracts which set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the SPPA intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response.

If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing. You should also be aware of our responsibilities under Freedom of Information legislation.

If your details are published as part of the consultation response, then these published reports will be retained indefinitely. Any of your data held otherwise by SPPA will be kept for no more than three years.

Under the data protection legislation, you have the right:

- to be informed of the personal data held about you and to access it
- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) the independent regulator for data protection.



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For further details about the information the SPPA holds and its use, or if you want to exercise your rights under the GDPR, please refer to our Privacy Policy in the first instance or contact:

Agency Data Protection Officer
Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
GALASHIELS
TD1 3TE
Tel: 01896 892 469

Website: <https://pensions.gov.scot/>

The contact details for the Information Commissioner's Office are:

Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Tel: 01625 545 745 or 0303 123 1113

Website: <https://ico.org.uk>

Policy aims for the proposed regulation changes

1.1 Under Regulation 61, where a scheme employer ceases to have any active members of the LGPS and is not planning to enrol anyone further in the scheme, an actuarial valuation is carried out. An exit credit is due if their pension liabilities are calculated to be less than the assets held at the date of exit. A change to the Regulations was made in 2018 to allow pensions risks to be shared more fairly between employers and administering authorities. Previously scheme employers were responsible for any estimated shortfall against their liabilities at the point of exit but could not receive any surplus.

1.2 Changes were subsequently made to the regulations in E&W in 2020, to provide that administering authorities have a discretion to determine the amount of exit credit which should be payable to an employer leaving the Local Government Pension Scheme (the LGPS).

1.3 The funding position of LGPS funds has improved significantly, as indicated by the latest 2023 valuations, partly due to the effect of persistent high inflation on gilts. We have been made aware that the increase in pension exit credits, which funds would be required to pay when an employer leaves the fund, may have a negative impact on cash flow and result in any subsequent risk being passed on to the remaining employers of the fund.

1.4 Scottish Ministers are therefore considering amendments to the regulations in Scotland, which broadly align to those made in England and Wales in 2020. These Regulations will amend the Local Government Pension Scheme (Scotland) Regulations 2018 to create a discretion for administering authorities to determine the amount of exit credit which should be payable to an employer leaving the LGPS.

1.5 The regulations will apply retrospectively from 1 June 2018. However regulation 4 of the instrument proposes a transitional provision so that any exit credits paid between 1 June 2018 and the date these provisions come into force are not affected.